Basic information

2017/0007(COD) COD - Ordinary legislative procedure (ex-codecision procedure) Decision	Procedure completed
Macro-financial assistance to Moldova **Subject** 6.20.07 Macro-financial assistance to third countries **Geographical area** Moldova	

Key players

European Parliament

Committee responsible	Rapporteur	Appointed
INTA International Trade	MOISĂ Sorin (S&D)	23/01/2017
	Shadow rapporteur WINKLER Iuliu (PPE) ZAHRADIL Jan (ECR) TAKKULA Hannu (ALDE) SCHOLZ Helmut (GUE/NGL) HAUTALA Heidi (Verts/ALE) BEGHIN Tiziana (EFDD)	

Committee for opinion	Rapporteur for opinion	Appointed
AFET Foreign Affairs	AUŠTREVIČIUS Petras (ALDE)	30/01/2017
BUDG Budgets	MUREŞAN Siegfried (PPE)	26/01/2017

Council of the European Union

Council configuration	Meetings	Date
Agriculture and Fisheries	3556	2017-07-17

Key events

Date	Event	Reference	Summary
13/01/2017	Legislative proposal published	COM(2017)0014	Summary
19/01/2017	Committee referral announced in Parliament, 1st reading		
04/05/2017	Vote in committee, 1st reading		
04/05/2017	Committee decision to open interinstitutional negotiations with report adopted in committee		
05/05/2017	Committee report tabled for plenary, 1st reading	A8-0185/2017	Summary
15/05/2017	Committee decision to enter into interinstitutional negotiations announced in plenary (Rule 72)		
17/05/2017	Committee decision to enter into interinstitutional negotiations confirmed by plenary (Rule 72)		
20/06/2017	Approval in committee of the text agreed at 1st reading interinstitutional negotiations	PE606.053 GEDA/A/(2017)006536	
03/07/2017	Debate in Parliament		
04/07/2017	Decision by Parliament, 1st reading	T8-0283/2017	Summary
04/07/2017	Results of vote in Parliament		
17/07/2017	Act adopted by Council after Parliament's 1st reading		
13/09/2017	Final act signed		
13/09/2017	End of procedure in Parliament		
20/09/2017	Final act published in Official Journal		

Technical information

Procedure reference	2017/0007(COD)
Procedure type	COD - Ordinary legislative procedure (ex-codecision procedure)
Procedure subtype	Legislation
Legislative instrument	Decision
Legal basis	Treaty on the Functioning of the European Union TFEU 212
Stage reached in procedure	Procedure completed
Committee dossier	INTA/8/08965

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Committee draft report		PE601.003	01/03/2017	
Committee opinion	BUDG	PE600.929	05/04/2017	
Amendments tabled in committee		PE602.964	06/04/2017	

Committee opinion	AFET	PE599.716	11/04/2017	
Committee report tabled for plenary, 1st reading/single reading		A8-0185/2017	05/05/2017	Summary
Text agreed during interinstitutional negotiations		PE606.053	16/06/2017	
Text adopted by Parliament, 1st reading/single reading		T8-0283/2017	04/07/2017	Summary

Council of the EU

Document type	Reference	Date	Summary
Coreper letter confirming interinstitutional agreement	GEDA/A/(2017)006536	15/06/2017	
Draft final act	00027/2017/LEX	13/09/2017	

European Commission

Document type	Reference	Date	Summary
Legislative proposal	COM(2017)0014	13/01/2017	Summary
Document attached to the procedure	SWD(2017)0012	13/01/2017	
Commission response to text adopted in plenary	SP(2017)538	06/09/2017	
Follow-up document	SWD(2024)0238	22/10/2024	
Follow-up document	SWD(2024)0239	22/10/2024	

National parliaments

Document type	Parliament /Chamber	Reference	Date	Summary
Contribution	RO_SENATE	COM(2017)0014	22/03/2017	

Additional information

Source	Document	Date
European Commission	EUR-Lex	

Final act

Decision 2017/1565
OJ L 242 20.09.2017, p. 0014 Summary

Macro-financial assistance to Moldova

2017/0007(COD) - 13/01/2017 - Legislative proposal

PURPOSE: to provide macro-financial assistance to Moldova.

PROPOSED ACT: Decision of the European Parliament and of the Council.

ROLE OF THE EUROPEAN PARLIAMENT: the European Parliament decides in accordance with the ordinary legislative procedure and on an equal footing with the Council.

BACKGROUND: relations between the European Union (EU) and Moldova continue to develop within the framework of the European Neighbourhood Policy (ENP) and the Eastern Partnership. The EU-Moldova Association Agreement, which includes the gradual introduction of a Deep and Comprehensive Free Trade Area (DCFTA), was signed in June 2014 and entered into force on 1 July 2016.

Moldova's economy has been affected significantly by the political instability experienced in the period between the elections of November 2014 and January 2016, as well as by a banking fraud scandal, weak economic activity in the region, and import bans imposed by Russia. That situation contributed to producing a recession, a growing trade deficit and a significant decline of the foreign exchange reserves over the last year.

In a context of political transition and economic difficulties, in July 2016 the Moldovan authorities and the International Monetary Fund (IMF) agreed on a three-year Extended Credit Facility and Extended Fund Facility (ECF/EFF) arrangement in the amount of USD 178.7 million. The arrangement was approved by the IMF Board on 7 November 2016.

In view of the worsening economic situation and outlook, Moldova requested complementary macro-financial assistance (MFA) from the Union in August 2015 and reiterated that request in March 2016.

The Union's indicative allocation for Moldova under the **European Neighbourhood Instrument** (ENI) is EUR 610-746 million, including budgetary support and technical assistance.

Given that Moldova is a country covered by the ENP, it should be considered to be eligible to receive macro-financial assistance from the Union.

The EUs macro-financial assistance is an exceptional emergency instrument aimed at addressing severe balance-of-payment difficulties in third countries.

Given that there is still a significant residual external financing gap in Moldova's balance of payments over and above the resources provided by IMF and other multilateral institutions, the Union macro-financial assistance to be provided to Moldova is, under the current exceptional circumstances, considered to be an appropriate response to Moldova's request for support to the economic stabilisation, in conjunction with the IMF programme.

CONTENT: the Union shall make macro-financial assistance of a maximum amount of **EUR 100 million available to Moldova**, with a view to supporting Moldova's economic stabilisation and a substantive reform agenda.

The Commission proposes to provide the amount of the assistance in the form of a **medium-term loan of up to EUR 60 million and in grants of up to EUR 40 million**. The assistance will contribute to cover Moldova's residual external financing needs in 2016-18, as identified by the Commission based on the estimates of the IMF.

The Commission is considering releasing the assistance in three instalments:

- the first two instalments, composed each of a grant element of EUR 10 million and a loan part of EUR 20 million, would be disbursed in 2017;
- the third one, composed of a grant element of EUR 20 million and a loan part of EUR 20 million, in the first half of 2018.

Strict conditions will be attached to the disbursements under the MFA, with each tranche, including the first one, conditional on good progress with both the IMF programme and the specific policy conditionality agreed with the EU in the Memorandum of Understanding attached to this operation.

Possible areas of **conditionality could include reforms** to strengthen governance in the financial sector, public finance management, energy sector reform, and accompanying measures to strengthen the social safety net, improving the investment climate and supporting the implementation of the Deep and Comprehensive Free Trade Area agreement (DCFTA).

The proposed MFA would be made available for **two and a half years**, starting from the first day after the entry into force of the Memorandum of Understanding. They Commission should regularly inform the European Parliament and the Council of developments relating to MFA.

BUDGETARY IMPLICATIONS: the planned assistance would be provided in the form of a loan and a grant.

The loan would be financed through a borrowing operation that the Commission will conduct on behalf of the EU. The budgetary impact of the loan assistance will correspond to the provisioning of the EU's Guarantee Fund for external actions, at a rate of 9% of the amounts disbursed, from budget line 01 03 06 ("Provisioning of the Guarantee Fund").

Assuming that the first two loan disbursements (of EUR 20 million each) will be made in 2017 and the third loan disbursement (of EUR 20 million) in 2018, the provisioning will take place in the 2019-2020 budgets, for an amount of EUR 3.6 million and EUR 1.8 million, respectively.

Macro-financial assistance to Moldova

2017/0007(COD) - 05/05/2017 - Committee report tabled for plenary, 1st reading/single reading

The Committee on International Trade adopted the report by Sorin MOISĂ (S&D, RO) on the proposal for a decision of the European Parliament and of the Council providing macro-financial assistance to Moldova.

The committee recommended that the European Parliament's position adopted at first reading, following the ordinary legislative procedure, should amend the Commission proposal as follows:

Aim of the macro-financial assistance: this assistance shall aim to support the restoration of a sustainable external financing situation for Moldova thereby supporting its economic and social development, especially in areas related to economic governance and to the **independence of the judiciary.**

Conditions for granting assistance: the EU assistance shall support Moldova's commitment to values shared with the Union, including democracy, the rule of law, good governance as well as the depoliticisation of appointments in public administration.

Both the fulfilment of the precondition and the achievement of the objectives shall be regularly monitored by the Commission and the European External Action Service. If the precondition and objectives are not met or if the aims and principles of the Association Agreement are generally disregarded, the Commission shall **temporarily suspend or cancel the disbursement** of the Union's macro-financial assistance.

Moldova shall regularly inform the Commission about the implementation of the macro-financial assistance on the basis of full disclosure and strict compliance with Union financial rules.

Macro-financial assistance to Moldova

2017/0007(COD) - 04/07/2017 - Text adopted by Parliament, 1st reading/single reading

The European Parliament adopted by 575 votes to 76 with 46 abstentions a legislative resolution on the proposal for a decision of the European Parliament and of the Council granting macro-financial assistance to Moldova.

The position of the European Parliament adopted at first reading following the ordinary legislative procedure amended the Commission proposal as follows:

Objectives of the macro-financial assistance: this aid should help Moldova to:

- **restore the sustainability of its external finances**, by contributing to greater political and macroeconomic stability in the country, strengthening economic and financial governance, including through a thorough and results-oriented investigation of bank fraud, good governance in the energy sector and the political independence of the judiciary;
- **strengthen its adherence to the values it shares with the Union**, including democracy, the rule of law, but also a responsible and transparent public service based on merit, an independent judiciary, respect for human rights, freedom, independence and media pluralism;
- **ensure the effective combat of corruption and money laundering**, strengthen the governance and oversight of the country's financial and banking sector, improve the governance of the energy sector and promote a business-friendly climate.

Follow-up: in order to allow a correct assessment of the specific objectives, the latter should be defined in a **verifiable and measurable way**. In the event of failure to comply with the objectives and principles of the Association Agreement, the Commission should **suspend provisionally or cancel** the payment of EU macro-financial assistance.

Moldova should regularly keep the Commission informed of the implementation of macro-financial assistance through full disclosure of information and strict compliance with the applicable Union financial rules.

Lastly, Parliament stated that EU macro-financial assistance should include measures to support the implementation of the Association Agreement, including the deep and comprehensive free trade agreement.

Macro-financial assistance to Moldova

2017/0007(COD) - 13/09/2017 - Final act

PURPOSE: to provide macro-financial assistance to Moldova.

LEGISLATIVE ACT: Decision (EU) 2017/1565 of the European Parliament and of the Council on providing macro-financial assistance to the Republic of Moldova.

CONTENT: Moldova's economy was affected by political instability that followed the November 2014 elections and lasted until January 2016. It has also been affected by a banking fraud scandal, weak economic activity in the region and import bans by Russia. Since the beginning of 2016, the authorities have adopted a number of reforms but need to undertake further efforts in implementing them.

Amounts of assistance: under this Decision, the Union shall make available to Moldova macro-financial assistance of up to a maximum of **EUR 100 million** with a view to facilitating the stabilisation of its economy, implementation of a major reform programme.

Of this maximum amount, **EUR 60 million was agreed in loans and EUR 40 million in the form of grants**. This will supplement resources provided by the IMF and other multilateral institutions.

The Union's macro-financial assistance shall contribute to covering Moldova's balance of payments needs and complement the programmes and resources provided by the International Monetary Fund (IMF) and the World Bank.

Objectives: the specific objectives of the assistance shall be to::

- increase the efficiency, transparency and accountability of Moldova' public finance management systems;
- ensure the efficiency of the fight against corruption and money laundering;
- reinforce the governance and supervisions of its financial and banking sector;
- improve the governance of the energy sector;
- promote structural reforms to support sustainable growth, job creation, good business climate and fiscal consolidation.

Union's macro-financial assistance shall also include measures to support the implementation of the Association Agreement, including the Deep and Comprehensive Free Trade Agreement.

Conditions: the assistance shall be released in three instalments. The disbursement of each instalment shall depend on the programme's progress agreed with the IMF and on the fulfilment of clearly defined economic policy and financial conditions, focusing on structural reforms and sound public finances, to which the Union's macro-financial assistance is to be subject, to be laid down in a Memorandum of Understanding which shall include a timeframe for the fulfilment of those conditions.

The assistance shall be made available for a period of two and a half years, starting from the first day after the entry into force of the Memorandum of Understanding.

The Commission shall regularly inform the European Parliament and the Council of developments regarding the Union's macro-financial assistance, including disbursements thereof.

Joint Declaration: Parliament, Council and Commission agreed on a joint declaration in the light of changes in the electoral system in Moldova. The Declaration stressed that respect for **effective democratic mechanisms**, including a multi-party parliamentary system and the rule of law, as well as **guarantees of respect for human rights**, was a pre-condition for granting assistance. The Commission and the European External Action Service shall monitor the fulfilment of this pre-condition throughout the lifecycle of the macro-financial assistance

ENTRY INTO FORCE: 23.9.2017.